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LIMITED LIABILITY PARTNERSHIP

601 THIRTEENTH STREET, N.W.
SUITE 600 SOUTH
WASHINGTON, D.C. 20005-3807

TELEPHONE: (1 - 202) 626-3600
FACSIMILE: (1 - 202) 639-9355

DIRECT DIAL: (202) 626-3699
E-MAIL: LVANDERSCHAAF@WHITECASE.COM

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PUBLIC VERSION

November 13, 2001

VIA CERTIFIED MAIL FIRST CLASS & E-MAIL

Trade Policy Staff Committee
Gloria Blue
Executive Secretary, TPSC
Office of the USTR
600 17th Street, N.W.
Washington, D.C. 20508

Re: **Steel, Section 203 Action -- request for exclusion of stainless steel wire
SF20T & DSR16FA containing lead**

Dear Ms. Blue and Members of the TPSC:

Daido Stainless Steel Co., Ltd., a producer of stainless steel wire in Japan and its importer, Daido Steel (America) Inc. (collectively "Daido"), respectfully request that the President exclude from any remedy imposed on stainless steel wire two unique stainless steel wire products that contain lead: SF20T and DSR16FA.

The U.S. International Trade Commission ("Commission") was evenly divided with respect to whether the domestic industry producing stainless steel wire was seriously injured. Daido urges the President to adopt the determination of the Commissioners voting negative as the determination of the Commission. In the alternative, if the President adopts the

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determination of the Commissioners voting in the affirmative, Daido requests that SF20T and DSR16FA be excluded from any remedy imposed for the reasons discussed in detail below.

I. Commercial name of the products and the HTS number

The commercial names of the products for which exclusion is sought are “SF20T” and “DSR16FA.” Both SF20T and DSR16FA are classified under HTS heading **7223.00.1060**.

These are proprietary products produced only in Japan, which are traded under the names “SF20T” and “DSR16FA.” Their commercial names are similar to the recognized commercial names which were used by the President to exclude similar stainless steel wire rod and bar from the steel section 201 investigation (*i.e.*, “SF20T” and “K-M35FL” stainless steel wire rod and bar). *See* Annex II of Letter from Robert D. Zoellick to Stephan Koplan, Chairman, ITC requesting the steel section 201 investigation (June 22, 2001). Due to their unique chemical composition and physical characteristics, the products do not fall into any generally recognized standard or certification (*e.g.*, AISI, ASTM, DIN).

II. Description of the products

A. General information on the products:

SF20T and DSR16FA contain high amounts of lead for stainless steel wire and other special elements to achieve much better performance in end users’ machining operations. The level of lead and its equal dispersion throughout the wire enables the product to attain certain unique physical properties not attainable by other forms of stainless steel wire.

SF20T is a ferritic stainless steel with ultra super free machining steel characteristics that enable users to improve their machining operations. No other type of conventional free

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machining stainless steel wire has comparable cold forgeability, and no plating is required for uses in normal, in-the-air environments.

DSR16FA is a martensitic, super free machining stainless steel. Its machined surface is smoothly finished and it can maintain closer tolerances than other types of stainless steel wire.

B. Chemistry of the products:

The chemical compositions for SF20T and DSR16FA stainless steel wire are provided below:

SF20T:
Carbon – 0.05 max
Manganese – 2.00 max
Phosphorous -- 0.05 max
Sulfur – 0.15 max
Silicon – 1.00 max
Chromium – 19.00/21.00
Molybdenum – 1.50/2.50
Lead – added (0.10/0.30)
Tellurium – added (0.03 min)

DSR16FA:
Carbon – 0.15 max
Manganese – 1.25 max
Phosphorous – 0.06 max
Sulfur – 0.10/0.18
Silicon – 1.00 max
Chromium – 10.50/14.00
Molybdenum – 0.10/0.40
Lead – added (0.07/0.30)
Selenium – added (0.10 min)

C. Distinguishing other products:

Although these products are classified under HTS heading **7223.00.1060**, which is a category containing other types of stainless steel wire, other types of stainless steel wire can easily be distinguished and identified from SF20T and DSR16FA due to the latter products' unique name and the inclusion of lead dispersed throughout the product. It is the degree of distribution of the lead throughout the entire product which is proprietary and extremely unique to these products and which cannot be duplicated by other manufacturers.

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The proprietary process and inclusion of lead also is very costly and, thus, does not provide any means for Daido or other producers attempting to duplicate the process to circumvent the 201 remedy. In fact, these products, particularly DSR16FA, are significantly higher priced than other types of stainless steel wire and oversell domestically produced stainless steel wire (*see* table attached hereto).

III. Basis for requesting the exclusion

A. No U.S. production:

Neither SF20T or DSR16FA are produced in the United States; nor is the feedstock stainless steel wire rod from which the wire is produced.

No U.S. producer is expected to ever manufacture SF20T and DSR16FA. Japan is believed to be the only source for the stainless steel wire rod (“SSWR”) feed stock that is used to produce SF20T and DSR16FA wire, and the rod is not exported to the United States or produced in the United States. As a result, there simply is no wire rod available to U.S. wire producers to draw SF20T or DSR16FA wire.

Inclusion of SF20T and DSR16FA stainless wire in any remedy will not aid the domestic producers because they do not produce the product and can only harm end users who are required to purchase imports. Major end users of the SF20T and DSR16FA have operations outside the United States and are likely to shift the production of their products using this wire to those operations and import the final or downstream products into the United States.

Daido has provided the information in this letter to counsel for the American Wire Producers Association (“AWPA”) and Carpenter Technology Corporation in the expectation that the AWPA and its individual stainless steel wire producer members, including Carpenter, would

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consent to this exclusion request. We are informed that the AWPAs have not yet completed polling its members on whether it consents to this exclusion. Although, in its submissions to the Commission, Carpenter has opposed exclusion of certain stainless wire products, it has not taken a position with respect to SF20T or DSR16FA.

B. Related bar and rod products have already been excluded, as in past cases:

SF20T and DSR16FA stainless steel wire are similar in chemistry to the lead containing stainless steel bar (“SSB”) and wire rod (“SSWR”) products that have already been excluded from this section 201 investigation, “SF20T” and “K-M35FL.” *See* Annex II of Letter from Robert D. Zoellick to Stephan Koplan, Chairman, ITC requesting the steel section 201 investigation (June 22, 2001).

These SSB and rod SSWR products also were excluded from the past SSB and SSWR title VII cases. After the SSB antidumping investigation and order in 1995, the petitioners agreed to exclude the lead containing bar product, K-M35FL, from the scope of the antidumping order in response to a scope proceeding by respondents in 1999. *See* 64 Fed. Reg. 50273-50274 (Sept. 16, 1999) (revoking order on K-M35FL stainless steel bar).

In the SSWR AD/CVD investigation concluded in 1998, the petitioners excluded similar products that were not produced in the United States. The SSWR petition excluded grades SF20T and K-M35FL with the following chemical makeup (these match the grades of bar and

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rod excluded from this section 201 investigation):

SF20T:

Carbon – 0.05 max
Manganese – 2.00 max
Phosphorous -- 0.05 max
Sulfur – 0.15 max
Silicon – 1.00 max
Chromium – 19.00/21.00
Molybdenum – 1.50/2.50
Lead – added (0.10/0.30)
Tellurium – added (0.03 min)

K-M35FL:

Carbon – 0.015 max
Manganese – 0.40 max
Phosphorous – 0.04 max
Sulfur – 0.03 max
Silicon – 0.70/1.00 max
Chromium – 12.50/14.00
Nickel – 0.30 max
Lead – 0.10/0.30
Aluminum – 0.20/0.35

See 62 Fed. Reg. 45224-45225 (Aug. 26, 1997) (AD investigation initiation); *see also* 62 Fed. Reg. 45229-45230 (Aug. 26, 1997) (initiation of CVD investigation against Italy). Petitioners in that SSWR case, recognizing that the products contain small amounts of lead, indicated in their petition that they “elected for environmental reasons not to produce” these two grades of SSWR and for this reason appropriately decided not to include the products in their petition. *See* SSWR petition filed July 30, 1997 at I-9 n.9. Those SSWR petitioners indicated that “[t]he products are produced in Japan specifically for an automotive parts producer named Autocam. The products contain small amounts of lead.” *See id.* In the ITC hearing in the *Stainless Steel Wire Rod* investigation, those petitioners added their reasons for exclusion and deciding not to produce the SSWR product:

[B]asically, because of the lead content, we do not want to contaminate our production environment to produce that product.

....

It’s because they don’t want the exposure of the workers to the lead material and they don’t want to contaminate their scrap and their waste material with the lead. So, it’s purely a matter of choice in compliance with U.S. environmental laws that they chose not to produce the product.

See Transcript of *Stainless Steel Wire Rod* ITC investigation 701-TA-373 & 731-TA-769-775 (Preliminary) conducted Aug. 21, 1997 at 69-70.

Thus, the Commission found in those investigations that no domestic producers manufacture SF20T or K-M35FL wire rod “because their lead content poses environmental hazards.” *See Stainless Steel Wire Rod*, Inv. No. 701-TA-373 & 731-TA-769-775 (Preliminary), USITC Pub. 3060 at 4 (Sept. 1997). Carpenter Technologies and Al Tech at that time were both SSWR and stainless steel wire producers and comprised petitioners in the SSWR petition. Thus, it is reasonable to assume, based on these stainless wire producers’ positions in that case, that domestic stainless wire producers also do not and will not produce SF20T and DSR16FA stainless wire because the products contain lead and pose similar environmental hazards as posed by SSWR production of products with the same physical characteristics and chemistries (lead content).

The President should exclude SF20T and DSR16FA from any import relief imposed on stainless steel wire for the same reasons of fairness that SF20T and K-M35FL SSB and SSWR were excluded from the present section 201 investigation and from the past title VII petitions and orders on SSWR and SSB.

IV. Names and locations of any producers in the U.S. or other countries

SF20T is produced only by **Daido Stainless Steel Co., Ltd.** and Shimomura **Tokushu Seiko Co., Ltd.** in Japan. DSR16FA is produced only by **Daido Stainless Steel Co., Ltd.** in Japan.

As discussed above, no U.S. producer or any producer outside of Japan now manufactures or is expected to manufacture SF20T or DSR16FA stainless steel wire. Japan is the only source for SF20T and DSR16FA and the SSWR feed stock that is used to produce the wire products.

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V. Total U.S. consumption

Because the only source for SF20T and DSR16FA has been and will be Japan, total U.S. consumption quantity and value is the same as total quantity and value of imports from Japan for the products. Exclusion of these products will not result in a significant amount of imports being excluded or a large variety of end uses being able to continue to use imported stainless wire as an input. Provided in the table attached is the quantity and value of imports (*i.e.*, U.S. consumption) of SF20T and DSR16FA from 1996 to 2000. Annual projections for 2001-2005 will equal or approximate import levels for 1999, 2000, and annualized year-to-date 2001 reported in the table attached. Demand for the products is expected to remain steady and the products are suitable for very few end uses in the United States – *i.e.*, machining end uses.

As the attached table shows, the price or average unit value of these products is relatively high. These products have very limited applications and are not suitable for general end use applications for stainless steel wire. Indeed, the high price for SF20T and DSR16FA prohibits their use in other applications where the products' unique characteristics are not absolutely essential. For this reason, for other more generic applications in which other types of stainless wire is needed, end users do not use SF20T or DSR16FA.

VI. Total U.S. production

As discussed above, no U.S. producer has manufactured or is expected to manufacture SF20T and DSR16FA. Japan is believed to be the only source for the SSWR feed stock that is used to produce SF20T and DSR16FA wire and this SSWR is not exported to the United States; thereby precluding any U.S. wire producers from ever drawing SF20T or DSR16FA in the future.

VII. Identity of any U.S.-produced substitute

There are no direct or exact substitutes for either SF20T or DSR16FA. For SF20T, the closest comparable domestically-produced product and product with the highest potential for possible substitution is AISI430F stainless steel wire. However, this product does not contain lead or tellurium as free machining elements to improve machinability; therefore, the product does not substitute for SF20T. Because AISI430F contains only sulfur to impart its machinability, it is not comparable in machinability to SF20T.

For DSR16FA, the closest comparable domestically-produced product and product with the highest potential for possible substitution is AISI416. However, this product does not contain lead or selenium; therefore, the product does not substitute for DSR16FA. Because AISI416 contains only sulfur to impart its machinability, it is not comparable in machinability to DSR16FA.

A chart providing a comparison of the chemical composition of SF20T and DSR16FA to AISI430F and AISI416, respectively, is attached.

VIII. Request for Confidential Treatment:

We hereby request confidential treatment for the information bracketed in the attachment. A notarized certification and request for confidential treatment is attached hereto.

IX. Conclusion:

For the reasons discussed above, if the President adopts the determination of the Commissioners voting affirmative on stainless steel wire as the determination of the 3/3 divided Commission, Daido respectfully requests that the President exclude SF20T and DSR16FA

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stainless steel wire from any remedy imposed on stainless steel wire products.

Sincerely,

Lyle Vander Schaaf
Joseph Heckendorn

Counsel to Daido Stainless Steel Co. Ltd. and Daido
Steel (America) Inc.

ATTACHMENT

TABLE ON IMPORT Q & V AND AUVs

Import Quantities, Values & Average Unit Values (AUV)

		SF20T			DSR16FA		
Year	Months	Quantity (Short tons)	Value (\$1000)	AUV (\$/lb.)	Quantity (Short tons)	Value (\$1000)	AUV (\$/lb.)
1996	1-3	[]	[]	[]	[]	[]	[]
	4-6	[]	[]	[]	[]	[]	[]
	7-9	[]	[]	[]	[]	[]	[]
	10-12	[]	[]	[]	[]	[]	[]
	Total	9	[]	[]	77	[]	[]
1997	1-3	[]	[]	[]	[]	[]	[]
	4-6	[]	[]	[]	[]	[]	[]
	7-9	[]	[]	[]	[]	[]	[]
	10-12	[]	[]	[]	[]	[]	[]
	Total	16	[]	[]	111	[]	[]
1998	1-3	[]	[]	[]	[]	[]	[]
	4-6	[]	[]	[]	[]	[]	[]
	7-9	[]	[]	[]	[]	[]	[]
	10-12	[]	[]	[]	[]	[]	[]
	Total	16	[]	[]	139	[]	[]
1999	1-3	[]	[]	[]	[]	[]	[]
	4-6	[]	[]	[]	[]	[]	[]
	7-9	[]	[]	[]	[]	[]	[]
	10-12	[]	[]	[]	[]	[]	[]
	Total	12	[]	[]	82	[]	[]
2000	1-3	[]	[]	[]	[]	[]	[]
	4-6	[]	[]	[]	[]	[]	[]
	7-9	[]	[]	[]	[]	[]	[]
	10-12	[]	[]	[]	[]	[]	[]
	Total	35	[]	[]	107	[]	[]
2001	1-3	[]	[]	[]	[]	[]	[]
	4-6	[]	[]	[]	[]	[]	[]
	Total	26	[]	[]	38	[]	[]
Projected 2001-2005	Annual projections for imports for 2001-2005 will equal or approximate import levels for 1999, 2000, and annualized year-to-date 2001. Demand for the products is expected to remain steady and the products are suitable for very few end uses in the United States – primarily machining end uses.						

ATTACHMENT

CHEMISTRY COMPARISON SF20T & DSR16FA AND OTHER STAINLESS WIRE

Chemical Composition Comparisons

	Product	
	SF20T	AISI430F
Structure	Ferritic	Ferritic
Carbon	0.05 max	0.12 max
Manganese	2.00 max	1.25 max
Phosphorous	0.05 max	0.06 max
Sulfur	0.15 max	0.15 min
Silicon	1.00 max	1.00 max
Chromium	19.00/21.00	16.00/18.00
Molybdenum	1.50/2.50	--
Lead	added(1.00/0.30)	--
Tellurium	added(0.03 min)	--

	Product	
	DSR16FA	AISI416
Structure	Martensitic	Martensitic
Carbon	0.15 max	0.15 max
Manganese	1.25 max	1.25 max
Phosphorous	0.06 max	0.06 max
Sulfur	0.10/0.18	0.15 min
Silicon	1.00 max	1.00 max
Chromium	10.50/14.00	12.00/14.00
Molybdenum	0.10/0.40	--
Lead	added(0.07/0.30)	--
Selenium	added(0.10 min)	--

REQUEST FOR CONFIDENTIAL TREATMENT AND CERTIFICATION

Daido Steel Ltd. and Daido Steel (America) Inc. hereby request confidential treatment for the information contained in the Table attachment. This information concerns sensitive business information of Daido Stainless Steel Co., Ltd. and Daido Steel (America) Inc. on their shipment quantities, values and average unit values for SF20T and DSR16FA, proprietary products, marketed by the companies. I hereby certify that this information is not available from public sources. Public disclosure of this information could cause economic harm to Daido because it could be used by both its customers and its competitors to Daido's economic and competitive detriment.

I also hereby certify that I have read this document in its entirety and have no reason to believe that the submission contains any material misrepresentation or omission of fact.

Lyle B. Vander Schaaf
Counsel for Daido Steel Ltd. and Daido Steel
(America) Inc.

District of Columbia: SS

Subscribed and sworn to before me this 12th day of November, 2001.

Notary Public
My commission expires: _____

Dated: November 12, 2001